

Interest & Coverage



Solstice
Innovations

Is It Insurable?



Water Treatment Plant



Water Treatment Plant, above and below ground containers or tanks typically made of concrete, steel or a high-density polyethylene (HDPE) for containing wastewater, sediment...



Water Treatment Plant

The NFIP does not insure a treatment plant unless 51% or more of its ACV is Above ground



Water Treatment Plant, above and below ground containers or tanks typically made of concrete, steel or a high-density polyethylene (HDPE) for containing wastewater, sediment...



Yurt





Yurt

The NFIP definition of a building is two or more outside rigid walls, fully secured roof, affixed to a permanent site





Travel Trailer



A non-self propelled recreational vehicle that is designed to be towed by a car, van or pickup. Small apartment on wheels provides living quarters, cooking, eating, sleeping and bathroom facilities

Conventional, Pop-up, fifth-wheel, truck mount they all have one thing in common
“Wheels”



Travel Trailer

When travel trailers are on wheels, they do not meet the definition of a building as they are not affixed to a permanent site.



A non-self propelled recreational vehicle that is designed to be towed by a car, van or pickup. Small apartment on wheels provides living quarters, cooking, eating, sleeping and bathroom facilities

Conventional, Pop-up, fifth-wheel, truck mount they all have one thing in common
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Pole Barn



Pole Building/barn is a structure that uses a wood frame, steel siding, and trusses to support the building. The wood frame consists of posts that support the load of the structure



Pole Barn

- ☑ Permanently Affixed
 - ☑ Roof
 - ☒ Two Rigid Walls



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What's the Occupancy?



The NFIP divides Occupancy into two mutually-exclusive categories. These images represent those two categories, but they can be deceiving and often cause a tremendous amount of confusion for agents. Most real estate professionals divide buildings into two primary groups: Residential and Commercial. However, the NFIP separates them with different terminology: Residential and Non-residential.



These two buildings are both Non-residential because no one resides in them. Although the dog might want to sleep in the storage shed, that's not its intended purpose. No one cooks meals, bathes, or entertains in the storage shed. Unlike a residence, its purpose is non-residential.

Mixed Use



But what about when buildings combine the two occupancy types? This is known as Mixed Use.

The NFIP separates how to define them into two categories: Single Family Homes and Multi-unit buildings.

Single Family Homes must have less than 50% of the usable area devoted to non-residential purposes. A small office in the corner of the home will not change the building's occupancy.

Multi-Unit buildings have a smaller percentage to remember: less than 25% of the total floor area must be assigned non-residential purposes in order to maintain residential occupancy status.



**Detached Guest House
with Welding Shop downstairs**

- 600 sqft shop
- 400 sqft living quarters

What's the occupancy?





**Detached Guest House
with Welding Shop downstairs**

- 600 sqft shop
- 400 sqft living quarters

What's the occupancy?

Non-residential
Shop = 60% of area





Residential Condo Building with Retail Shops on Ground Floor

- Retail Area: 8000 sqft
- Total Units: 32,000 sqft

What's the occupancy?





**Residential Condo Building
with Retail Shops on Ground Floor**

- Retail Area: 8000 sqft
- Total Units: 32,000 sqft

What's the occupancy?

Residential
Retail = 20% of area



If the total building area is 40,000 sqft, then how much area for retail space cause the building to become non-residential?

What would be the impact to a flood insurance policy?



Downtown Residence
converted to Commercial Office

What's the occupancy?





Downtown Residence
converted to Commercial Office

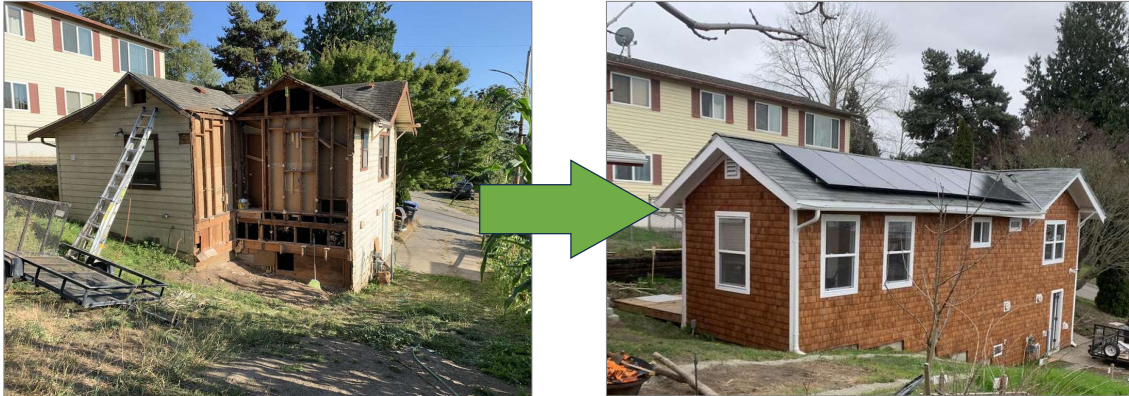
What's the occupancy?

Non-residential



Separation of Coverage

Builder's Risk





The Patel family's dream home was under construction on a serene riverside lot when a severe storm caused unexpected flooding.

Although the foundation and framing were intact, floodwaters damaged the partially built structure and washed away materials stored on the site.

Thankfully, the builder had an NFIP Standard Flood Insurance Policy, which includes coverage for buildings under construction.

What items would be covered by the NFIP policy?

Do any special conditions exist for buildings that are under construction?



The policy reimbursed for flood damage to installed elements like the foundation and framing, including the materials stored but not yet part of the structure.

How would you respond to an agent's question about an NFIP "Builder's Risk" policy?



Additions & Extensions





The Jones family decided to add another room to their house. They poured a stepped concrete stem wall and built pony walls underneath the main deck.

The finished extension shared the same roofline as the older part of the house. The close part of the foundation in the image was near the ground, but crawlspace next to the house was greater than five feet from the ground to the elevated floor.

Does this addition need to be covered by the same flood policy as the old part of the house?

Is there any benefit from doing so?



Do you have any strategies for how
to answer agent concerns about
additions and extensions?



Tenant Coverage



(Left) Contents coverage only

(Right) Building coverage is allowed under specific circumstances (find in wiki)



The Endicott building has been vacant for the last four years and was recently purchased by the Acme Corporation.

Acme has offered a lease to a local business, Fashionably Young Incorporated. FYI will occupy the lowest floor and one of the offices on the second floor. Acme will lease out the remaining units on the second and third floors.

As part of the lease agreement, Acme has required FYI to purchase an NFIP policy to cover the building.

Who must be listed as the policyholder?

Can FYI include its retail stock on the same policy?

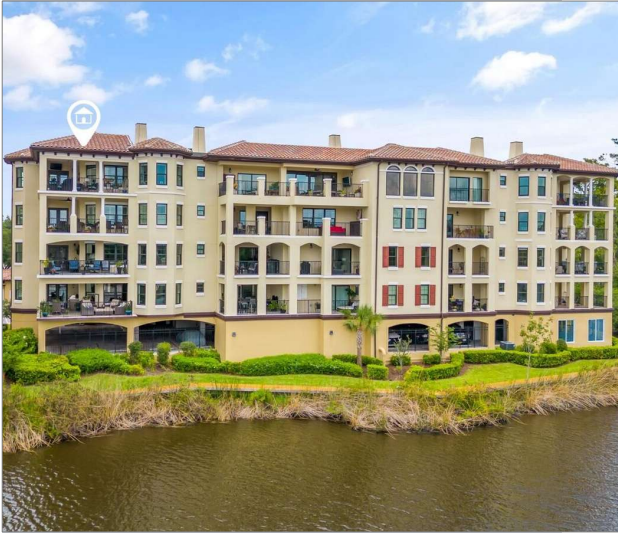


What would you say are the
important points to communicate to
agents about tenant coverage?



Residential Condominium Buildings and Units





The Upper Lower Middle Condominium Association sent a notice to all unit owners last week. Their building had sustained a flood loss, and the association had received a claims payment that did not pay for all damages.

The notice required that all unit owners would be assessed \$10,000 to cover the outstanding damages.

Bob, a former insurance agent, had urged ULM to fully insure the building with the NFIP. When they did not, he purchased an NFIP policy with building coverage for his unit.

Bob's unit is on the top floor and was undamaged. Will the NFIP honor a claim from his unit policy?



In your opinion, what is the best way
to address agent questions about
condominium units?



Basement Coverage Limitations



What items in this image could be covered by an NFIP policy?



The Johnsons transformed their dark basement into a cozy family retreat, complete with new flooring, built-ins, and a home theater.

It became their favorite space—until a storm flooded their neighborhood, leaving the basement submerged.

When they filed a claim, they were shocked to learn that their upgrades weren't covered. While the policy reimbursed structural elements like walls and the sump pump, it excluded finishes and personal property in the basement.

The Johnsons faced significant out-of-pocket costs and wished they'd understood these coverage limits before their renovation.

Of the items shown here, what would have been covered?



What important points would you
want an agent to understand about
basement coverage?



Post-FIRM Elevated (PFE) Coverage Limitations





The Rivera family converted the garage under their elevated home into a guest suite with tile floors and a bathroom. It was perfect for visitors—until a flood left the area submerged.

When they filed an NFIP claim, they learned coverage only applied to essential elements like walls and utilities.

The bathroom fixtures and furniture weren't covered, leaving them with unexpected repair costs.

The family realized too late that the NFIP defines enclosures as non-living spaces, even if upgraded, and doesn't insure personal property or finishing elements within them.



The Rivera family had big plans for the garages under their elevated home. Once used for stowing lawn equipment and holiday decorations, they converted the space into a guest suite with tile floors, a bathroom, and a cozy seating area. It was a perfect retreat for visiting relatives—until a heavy rainstorm caused floodwaters to surge through the enclosure, damaging everything inside.

When the Riveras filed a claim with their NFIP policy, they were disappointed to learn that coverage was limited to essential building elements like the walls and utilities.

The bathroom fixtures, tile flooring, and furniture weren't covered, leaving them with unexpected repair costs. The family realized too late that the NFIP defines enclosures as non-living spaces, even if upgraded, and doesn't insure personal property or finishing elements within them.

The Rivera family converted the storage space under their elevated home into a guest suite with tile floors and a bathroom. It was perfect for visitors—until a flood left the area submerged.

When they filed an NFIP claim, they learned coverage only applied to essential elements like walls and utilities. The upgrades and furniture weren't covered, leaving

them with unexpected expenses. Their story highlights the importance of understanding NFIP's limited coverage for enclosures before making improvements.

How would you advise an agent
about converting enclosures to
living spaces?



Primary Residence



Flood Insurance Manual, p. 3-42:

- Dwelling Form policy (1-4 Family Dwelling)
- Policyholder or spouse reside there more than 50% of the year
- Only one Primary Residence per policyholder or spouse

Can a policyholder and their spouse occupy more than one primary residence?

What other conditions allow a policyholder to claim primary residence if they occupy the property less than 50% of the year?





Primary Residence Benefits

- \$25 policy surcharge
- Non-primary residences are charged \$250
- Pre-FIRM (statutory) discounts are only applied to primary residences.

Can a policyholder or their spouse change their primary residence status during a policy term?

What are the impacts of that change?

What legal entities can also benefit from a building's primary residence status?



[illegible]

Homestead Tax Credit (Public Records)

Proof of insurance for a vehicle

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VERIFICATION OF PRIMARY RESIDENCE STATUS FOR
NTIP POLICY RATING

Insured Property Address: _____

The above address is my primary residence, and I and/or my spouse will live at this location for more than 50 percent of the 365 days following the policy effective date.

Insured Name (Printed) _____

Insured Signature Date _____

PURSUANT TO 28 U.S.C. § 1746 I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE UNITED STATES OF AMERICA THAT THE FOREGOING IS TRUE AND CORRECT. I UNDERSTAND THAT ANY FALSE STATEMENTS MAY CAUSE MY POLICY TO BE VOID, AND MAY BE PUNISHABLE BY FINE OR IMPRISONMENT UNDER APPLICABLE FEDERAL LAW.

The Easiest Options

Primary Address Verification Form





The Easiest Options

Primary Address Verification Form

April 2019 Mailing Address Match

